

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INVESTIGATION INTO THE GAS PROCUREMENT AND ALLOCATION PRACTICES AND PROCEDURES OF REGULATED PUBLIC UTILITIES	DOCKET NO. INU-00-6
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ORDER APPROVING STIPULATION AND CLOSING DOCKET

(Issued November 6, 2003)

On March 23, 2001, the Utilities Board (Board) issued an order opening Docket No. INU-00-6, commencing an investigation and requiring certain information from rate-regulated natural gas utilities. This docket was opened in response to an application filed on December 28, 2000, by the Consumer Advocate Division of the Department of Justice (Consumer Advocate). Consumer Advocate asked the Board to commence or reopen an investigation into the regulated and non-regulated marketing activities of UtiliCorp United Inc. and its operating division, Peoples Natural Gas Company, n/k/a Aquila, Inc., d/b/a Aquila Networks (Aquila). Consumer Advocate also requested the Board order an independent audit of the regulated and non-regulated marketing activities of Aquila.

Consumer Advocate based its request on a previous investigation by the Board, identified as Docket No. INU-97-1, in which the Board declined to order an independent audit on the basis of anonymous letters concerning Aquila's operations

received by the states of Missouri, Minnesota, Michigan, and Iowa. Those letters alleged certain improprieties by Aquila with regard to the allocation of gas costs between regulated customers and non-regulated customers.

In the March 23, 2001, order initiating this docket, the Board indicated that it did not have sufficient information to make a definitive statement concerning the allegations in the anonymous letter. The Board indicated it had questions about the operation of Aquila's gas supply services unit and the allocation of costs between the regulated and non-regulated operations of Aquila. The Board determined that the investigation should also include a review of the gas supply procedures of MidAmerican Energy Company (MidAmerican), Interstate Power Company and IES Utilities Inc., n/k/a Interstate Power and Light Company (IPL), and United Cities Gas Company, a division of Atmos Energy Corporation, n/k/a Atmos Energy Corporation (Atmos). The Board directed the utilities to respond to certain questions set out in the order.

MidAmerican, IPL, Atmos, and Aquila filed responses to the Board's questions. The Board reviewed the information submitted and determined that no additional information should be requested or other action taken at that time since each of the utilities was planning to file a rate case in the near future in which the issues could be considered. Additionally, the Board was informed by Consumer Advocate that it was conducting its own investigation into the gas supply procedures of Aquila and that investigation had not been completed.

Since the filing of the responses, MidAmerican, IPL, and Aquila have filed general rate increase proceedings and Atmos has filed tariffs based upon a stipulation with Consumer Advocate. In addition, Aquila has eliminated its non-regulated gas purchasing operations. No issue was presented to the Board concerning the allocation of costs between non-regulated and regulated operations in the general rate proceedings or the Atmos tariff filing.

Finally, on August 29, 2003, Aquila and Consumer Advocate filed a joint motion and settlement agreement that would settle all of the outstanding issues concerning allocation of costs for non-regulated gas purchasing procedures. The stipulation indicates that Consumer Advocate worked with the Minnesota Department of Commerce to conduct a joint audit of Aquila. The settlement indicates that Aquila incorrectly allocated certain costs. To resolve this issue, Aquila has agreed to refund to Iowa regulated customers \$294,109 as a one-time bill credit based upon each customer's 2002 sales volumes.

Subrule 199 IAC 7.2(11) provides that the Board will not approve a settlement unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. After examining the complete record of this proceeding, the Board finds the proposed settlement meets the requirements of subrule 7.2(11). The Board will approve the settlement as a resolution of the issues raised concerning possible subsidization of non-regulated operations at Aquila by regulated operations. The Board will close this docket. In doing so, the Board notes that Consumer

Advocate's actions in this investigation have been valuable and helpful in bringing this matter to a close.

IT IS THEREFORE ORDERED:

1. The "Settlement Agreement" filed by Aquila, Inc., d/b/a Aquila Networks, and the Consumer Advocate Division of the Department of Justice on August 29, 2003, is approved.
2. Within 20 days of the date of this order, Aquila Inc., d/b/a Aquila Networks, shall file a refund plan for the refunding of the \$294,109 to regulated customers as a one-time bill credit.
3. Docket No. INU-00-6 is closed.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 6th day of November, 2003.